

From Texas Lottery Commission Website

Bingo for Beginners: An Overview of Charitable Bingo in Texas

Bingo is *The Most Charitable Game in Texas!* In 2011 alone, charitable bingo players in Texas won over \$533 million in prizes and Texas charities received over \$29 million from charitable bingo proceeds. Bingo, the oldest form of legalized gambling in Texas, has been approved by voter referendum in all or part of 226 of the state's 254 counties. There were 1,227 nonprofit or charitable organizations conducting charitable bingo in Texas during 2011. These organizations are required to distribute all net proceeds from bingo activities in excess of their retained operating capital limit for the charitable purposes of the organization. Since 1982, when the first licenses to conduct bingo were issued in Texas, through 2011, charitable bingo distributions exceed \$1 billion.

What is Charitable Bingo?

Charitable bingo is a regulated fundraising activity conducted by charities, fraternal organizations, or other nonprofit entities qualifying under the *Bingo Enabling Act*. All proceeds from charitable bingo activities must be spent for the charitable purposes and objectives of the organization.

Why is bingo regulated by the state and who does the regulating?

Charitable bingo is a form of legalized gambling. In 1981 the playing of bingo was authorized by the Texas Legislature, subject to local jurisdiction approval. State oversight of charitable bingo activity is required by state law and regulations intended to prevent fraud and protect the public. The Charitable Bingo Operations Division of the Texas Lottery Commission regulates the licensing, accounting and audit operations of charitable bingo activities based upon the *Bingo Enabling Act* and *Charitable Bingo Administrative Rules*.

Who can conduct bingo games in Texas?

Only licensed, authorized organizations can conduct bingo games in Texas. These organizations may include religious societies, nonprofit organizations, fraternal organizations, veterans organizations, volunteer fire departments and volunteer emergency medical services providers.

Is a license required to conduct bingo in Texas?

Yes. With only a few exceptions, the conduct of bingo without a license in the state of Texas is a third degree felony punishable by imprisonment of two to 10 years and a fine not to exceed \$10,000. (Texas Penal Code – Sec. 12.34)

What types of bingo licenses are issued in Texas?

There are five types of licenses issued in accordance with the *Bingo Enabling Act*:

- **Conductor License**—a license to conduct charitable bingo (Note: regular and temporary conductor licenses are issued to authorized organizations)
- **Commercial Lessor License**—a license to lease a location for the purpose of conducting a charitable bingo game
- **Distributor License**—a license to distribute bingo supplies, devices and equipment to organizations licensed to conduct charitable bingo in Texas
- **Manufacturer License**—a license issued to an individual or organization that manufactures bingo supplies, devices and equipment and sells these items to licensed distributors in Texas
- **Unit Manager License**--provide services to licensed authorized organizations that form a unit.

More information on charitable bingo licensing, including licensing applications, is available by contacting our office at 1-800-246-4677 (BINGO77) and asking to speak to a licensing examiner.

Where does the money spent by charitable bingo players go?

A licensed authorized organization must disburse from the organization's bingo account all net proceeds from the conduct of bingo from the preceding quarter less their allowable retained operating capital for the charitable purpose and objectives of the organization. *All* net proceeds from an authorized organization's bingo account shall be devoted to the organization's charitable purpose and objectives.

Who benefits from charitable bingo distributions?

Distributions from organizations conducting charitable bingo in Texas benefit a wide range of charitable causes, including local libraries, veterans organizations, museums, women's shelters, needy children, the disabled, homeless shelters, churches, schools, addiction treatment programs, medical treatment and research programs, emergency medical services, volunteer fire departments and senior citizens groups, just to name a few.

Are minors allowed to play bingo in Texas?

Individuals under the age of 18 years may play bingo only if accompanied by a parent or guardian. However, an operator may prohibit minors from entering the premises by posting a written notice to that effect. Individuals under the age of 18 years may not conduct or assist in the conduct of bingo.

How many days of the week may a licensed authorized organization conduct bingo?

Each licensed authorized organization may conduct three bingo occasions per week. The licensed authorized organization may play up to two of its regular bingo occasions on a single day or they may play each of its regular bingo occasions on separate days during a calendar week. Each bingo occasion may not exceed four hours. There is no limit on the number of bingo games that can be played within a four-hour occasion; however, total prizes awarded for regular bingo games during a bingo occasion may not exceed \$2,500.00. Regular games with total prizes of \$50.00 or less are excluded from the bingo occasion prize cap.

Is there a limit to the value of the prizes offered in bingo games?

Yes, the prize for a regular bingo game may not have a value greater than \$750 for a single game. For a regular and temporary bingo occasions (excluding **pull-tab bingo and regular games with an aggregate prize total of \$50 or less**), a person may not offer or award prizes with an aggregate value of more than \$2,500.

For pull-tab games, a single ticket may not award a prize or prizes with a value greater than \$750.00. For a pull-tab game the minimum prize payout must be 65% of the games' gross receipts.

The PTA at my child's school is planning to hold a one-time bingo game as a fundraiser for school activities. Is this legal?

This would only be legal if the organization obtained a temporary license prior to conducting the game.

How much would it cost to obtain a regular bingo conductor license and start a game?

Initial costs will vary, but include: license fees, a bond, inventory (bingo paper, etc.), facility costs (rent, etc.), payroll and prizes.

License Fees :

The fee for the first regular conductor license is based on the organization's estimated annual gross receipts from the conduct of bingo. The license class and amount of fee are calculated using a formula that includes: estimated amount of prizes to be awarded per occasion; number of occasions per week; number of weeks in a month bingo will be played; amount of prizes to be awarded in a month. There are 10 classes of fees ranging from \$132 to \$3,300 for a one year license and \$264 to \$6,600 for a two year license. At the end of an organization's regular license period, the amount of estimated gross receipts reported in the original application is compared to organization's reported gross receipts for the license period. If the organization's gross receipts for the license period fall within another license class, adjustments are made. If the organization's reported gross receipts for the license period fall within a higher license class than originally paid, the difference between the fees must be paid prior to renewal. Conversely, if the organization's reported gross receipts for the license period fall within a lower license class than originally paid, any excess will be credited to the organization's account. License fees for the subsequent period will be based on reported gross receipts for the previous period.

Bond:

Each application for a regular license to conduct bingo occasions must be accompanied by a bond or other security. The amount of bond to be posted is based on the license fee class calculated when determining the applicant's license fees. There are 10 license fee classes and the amount of bond required to be posted ranges from \$125 to \$7,000. A list of bonding companies is available on our Web site.

Facility Costs:

Rent —the rent charged by a licensed commercial lessor to a licensed authorized organization to conduct bingo is limited by statute and may not exceed \$600 for each bingo occasion. The commercial lessor may also charge the licensed authorize organization their pro rata share of property taxes, water, electric and gas utility expenses and property and casualty insurance premiums for the facility.

Other Expenses — the cost of utilities, janitorial, security, advertising, bookkeeping, legal, or accounting services related to bingo, repairs and maintenance of premises or equipment, electronic funds transfer fees, and debit card transaction fees should be necessary or reasonable.

Payroll —hall manager, bookkeeper, cashiers, ushers and floor workers and caller – some organizations pay for these services and others use volunteers.

Inventory —the cost of bingo paper, pull-tabs, pull-tab dispensers, consoles, flash boards, bingo balls, bingo blowers and lease of card minding devices vary and may only be purchased from distributors licensed to supply these products in Texas.

Prizes — prizes are set by statute and cannot exceed \$750 per game or \$2,500 per occasion, excluding pull-tabs. There is no set minimum on prize amounts.

How much would it cost to obtain a temporary license to conduct a single bingo occasion?

Costs will vary, but include: a license fee of \$25, inventory (bingo paper, etc.), facility costs (rent, etc.), payroll and prizes.

Facility Costs:

Rent —the rent charged by a licensed commercial lessor to a licensed, authorized organization to conduct bingo is limited by statute and may not exceed \$600 for each bingo occasion . Generally, organizations conducting a single occasion on a temporary license do so at the organization’s location, which does not require a rental fee for bingo purposes.

Other Expenses — the cost of utilities, janitorial, security, advertising, bookkeeping, legal, or accounting services related to bingo, repairs and maintenance of premises or equipment, electronic funds transfer fees, and debit card transaction fees should be necessary or reasonable.

Payroll —cashiers, ushers and floor workers and caller – some organizations pay for these services and others use volunteers. Generally, for single occasions conducted on a temporary license, organizations use volunteers that are not paid for their services.

Inventory —the cost of bingo paper, pull-tabs, pull-tab dispensers, consoles, flash boards, bingo balls, bingo blowers and lease of card-minding devices vary and may only be purchased from distributors licensed to supply these products in Texas.

Prizes — prizes are set by statute cannot exceed \$750 per game or \$2,500 per occasion, excluding pull-tabs. There is no set minimum on prize amounts.

What is the difference between a regular bingo conductor license and a temporary license to conduct a single bingo occasion?

A regular **conductor** license may be issued for one year or two years, calculated from the date of issue. An authorized organization that holds a regular conductor license may conduct three bingo occasions per calendar week. Each bingo occasion may not exceed four hours.

An authorized organization (conductor) may be issued a regular license for a one year license period or for a two-year license period. An authorized organization that holds a regular license may also conduct up to 24 temporary occasions during their annual license period.

A **temporary** license is issued to an authorized organization for a single bingo occasion (up to four hours in length) on a specific day. The fee for a temporary license is \$25. An authorized organization may request a temporary by filing an application and paying the license fee. An authorized organization without an annual license may not receive more than six temporary licenses in a calendar year. Temporary licenses are generally obtained by charitable organizations that want to play bingo a few times a year in conjunction with fundraising activities such as PTA Fall or Spring Festivals.

How long does the process take?

Application processing time depends upon several variables, including the completeness and accuracy of the submitted application and supplemental documentation as required by the *Bingo Enabling Act*. On average, it takes 45 days to process an original regular **conductor** license application and 30 days to process an original **temporary** conductor license application.

How often do I need to renew?

Generally, a regular bingo license expires either one or two calendar years from date of issuance depending on which license the organization was issued. Each licensee is solely responsible for the timely renewal of its license.

What are the penalties for holding an unlicensed bingo game?

The penalty for the conduct of an unlicensed bingo game is a third degree felony punishable by imprisonment of two to 10 years and a fine not to exceed \$10,000. (Texas Penal Code – Section 12.3)

Who can I contact for assistance in obtaining a license to conduct bingo in Texas?

Contact our office 1-800-246-4677 (BINGO77) and ask to speak to a licensing examiner.

My organization just started conducting bingo. How do I learn how to keep accurate records?

Please read the *Bingo Enabling Act*, the *Charitable Bingo Administrative Rules*, and review the Quarterly Report forms before you start gaming. All are available on this Website, as well as forms and applications, and training schedules. Or you can contact our office 1-800-246-4677 (BINGO77) for more information.

What other things should our organization consider before applying for a bingo license?

1. Bingo is a business—as such, it takes a well-thought-out business plan, professional, detailed and accurate record keeping, employee payroll management and close supervision and the hard work of your members. The success or failure of your licensed bingo operation will be a result of the attendance at your games, prize amounts awarded, overhead costs and other normal everyday business-related decisions. For an organization to maintain its license, its bingo operation must result in positive net proceeds.
2. Bingo is a regulated activity—where organizations licensed by the state are subject to game observations, financial reporting requirements and audits to ensure compliance with the *Bingo Enabling Act* and *Charitable Bingo Administrative Rules* .
3. Bingo requires the effort of your entire organization—not just a few members. Your organization is the one that is licensed and responsible for all activities that occur under the license.
4. Bingo halls and other licensed charities offer a chance to observe licensed operations in action. Most will be willing to assist your organization in getting organized and will share start-up secrets as well as pitfalls to avoid, and explain the reports that are required to be maintained by all licensed conductors. To locate a bingo hall or a licensed authorized organization conducting bingo in your area, go to the Bingo Hall Locator section of our website. “The Bingo Hall Locator” provides robust search capabilities that allow the user to customize searches using a variety of parameters and a mapping feature.
5. The Statewide Financial Reports section of our Web-site provides a number of reports that provide financial information on organizations conducting charitable bingo in Texas.
6. The Bingo Training Program is a free training session required to be attended by the Bingo Chairperson of all licensed authorized organizations holding a conductor license. Anyone may attend and we strongly urge your organization to send your operators, officers and directors. It provides an excellent overview of the structure and regulation of charitable bingo in Texas. The Bingo Training Program is available and may be taken **on-line** through our website.

Definitions

Amendment– The application used by an organization to amend their current conductor's or lessor's license. This may include changes in playing days, times, playing location, organization location, organization name or bingo chairperson.

Bingo– A specific game of chance in which prizes are awarded on the basis of designated numbers or symbols conforming to randomly selected numbers or symbols to complete lines or other patterns. Includes regular or "traditional" bingo, electronic bingo and instant or "pull-tab" bingo.

Bingo Chairperson – An officer or director of the licensed authorized organization who is designated in writing by the organization as responsible for overseeing the organization’s bingo activities and reporting to the membership relating to those activities.

Bingo Enabling Act – 1981 legislation, passed as a result of a voter approved amendment to the state constitution that allows legal bingo games to be conducted in Texas so long as the games are fairly conducted and all net proceeds derived from the games are used for a charitable purpose.

Conductor – An organization that conducts bingo. Typically, all conductors in Texas must be licensed; however, there are certain organizations that can be granted an exemption from licensing.

Distributor – An individual or organization that leases, sells, distributes or supplies equipment to licensed charitable bingo conductors. All distributors doing business in Texas must be licensed.

Electronic Bingo – Bingo card-minding devices, which interface with equipment used to conduct a Bingo game, allow a player to store, display and mark multiple (up to 66) bingo card faces.

“Pull-tab” Bingo – A form of bingo played using tickets with perforated break-open tabs, made of paper or paper products, the face of which is covered or otherwise hidden from view to conceal numbers, letters, or symbols, some of which have been designated in advance as prize winners.

Lessor – An individual or organization that leases a location for the purpose of conducting a charitable bingo game. All lessors in Texas must be licensed.

Local jurisdiction – Typically the county or city in which a bingo game is conducted. Local jurisdictions may receive quarterly allocations derived from charitable bingo prize fees. A county that imposed a gross receipts tax on the conduct of bingo as of January 1, 1993, is entitled to 50 percent of the prize fee collected under Section 2001.502 of the *Bingo Enabling Act*, on a prize awarded at a game conducted in the county. Likewise, a city that imposed a gross receipts tax on the conduct of bingo as of January 1, 1993, is entitled to 50 percent of the fee collected under Section 2001.502 of the *Bingo Enabling Act* on a prize awarded at a game conducted in the municipality. If a county and city are both entitled to a share of the fee imposed by Section 2001.502 of the *Bingo Enabling Act* the county is entitled to 25 percent of the fee on a prize awarded at a game conducted in the county and the city is entitled to 25 percent of the fee on a prize awarded at a game conducted in the municipality.

Manufacturer – An individual or organization that manufactures bingo equipment and leases or sells to licensed distributors. All manufacturers doing business in Texas must be licensed.

Occasion(s) – means a single gathering or session at which a bingo game or a series of bingo games, including selling and redeeming pull-tab bingo tickets, are conducted on the day and at the times listed on the license issued to a licensed authorized organization

Operator– An individual designated by the charitable organization as being responsible for conducting, promoting, or administering bingo. The individual must be a member of the organization.

Prize fee – A five percent fee collected and passed on to the Commission by a licensed, authorized organization from a person who wins a bingo prize of more than \$5.00. Prizes \$5.00 and under are subject to the five percent fee but this may be either collected from the prize winner or paid by the organization. Fifty percent of these fees may be allocated on a quarterly basis to local jurisdictions.

Regular Bingo – "Traditional" bingo game in which players cover spaces on paper cards which correspond to letters and numbers called by a bingo operator.

Regular License – a license to conduct bingo that is issued by the Commission and that expires on the first or second anniversary of the date of issuance unless revoked or suspended before that date by the Commission.

Rental Tax – A tax (three percent of the gross rentals received by a licensed commercial lessor or other licensed authorized organization) that is imposed on the rental of premises for the conduct of Bingo games.

Retained Operating Capital Limit - The maximum amount of funds that may be retained in the bingo account of a licensed authorized organization or unit, which is equal to the organization's or unit's actual quarterly average bingo expenses, excluding prizes paid, for the preceding license period but does not exceed \$50,000 per organization.

Temporary License– Also known as “temporaries,” an authorized organization may receive a temporary license to conduct bingo by filing an application, accompanied by a \$25 license fee. A temporary license is valid for one four-hour occasion on a specific day and an organization without an annual license may not receive more than six temporary licenses in a calendar year